

**SEPARATE STATEMENT OF
COMMISSIONER MICHAEL J. COPPS**

Re: *Federal-State Joint Conference on Accounting Issues* (WC Docket No. 02-269),
Recommendation

One year ago, I expressed enthusiasm when the Joint Conference on Accounting was first convened. In light of the accounting depredations that have haunted the telecommunications industry and the economy as a whole, I believed then—and believe now—that review and attention from both state and federal authorities is absolutely essential.

Today, the Joint Conference offers a Recommendation that is a roadmap. It provides the Commission with a set of directions that address where and how it should head next in its accounting review. The Commission now must move swiftly to convert this Recommendation into a Notice of Proposed Rulemaking.

Through participation in this group, it has become clear to me that it is vitally important that the Commission ensure that the States have the accounting information they need to do their jobs. Both the States and the Commission use reported data to develop an understanding of the plant, revenue and expenses of carriers and to enable comparisons among companies and over time. States also use it to develop prices for network elements, develop prices for resold services and conduct ratemaking proceedings. In short, if the Commission's periodic streamlining efforts strip the States of the uniform accounting data they need, they will be unable to carry out their statutory responsibilities.

I regret that this fact was not as lucid to the Commission as it should have been when it embarked on the *Phase III Further Notice of Proposed Rulemaking*. At the time, the Commission suggested that we should only collect accounting information for which there is a federal purpose, notwithstanding any state need for the data. Yet we have entered an era when more information—not less—is necessary to ensure that consumers are confident and investors secure. We have a duty to ensure that the required system of accounts provides both state and federal regulators with the information they need to discharge their required tasks.

To this end, I am heartened by the approach taken in the Joint Conference Recommendation. The Recommendation specifically rejects the federal purpose standard and approaches its review under the broad charge of the Order convening the Joint Conference. This mandate directs the Joint Conference to evaluate accounting requirements that both state and federal regulators need and to further the development of improved regulatory accounting and related requirements. I believe the approach taken in the Recommendation is the right way to go and the right thing to do.

Although the progress we make today is good news, there is *much more work to be done*. This Recommendation addresses only a narrow subset of the mandate. We

have more fundamental challenges ahead as we work to live up to our charge to ensure that data filed by carriers are adequate, truthful and thorough.

I believe the Joint Conference should move next to assess broader issues that impact regulatory accounting and reporting reliability. I hope we can start by rigorously reviewing the scope of the authority granted to the Commission by Congress. In particular, I would like the Joint Conference to consider how use of the Commission's authority to inquire into the business management of carriers under Section 218 might have helped us to identify recent corporate governance problems ranging from capacity swaps to tactics to circumvent access charges. The Commission also has specific requirements that carriers must comply with concerning continuing property records. I hope we can take a hard look at how the Commission can undertake regular continuing property record audits to ensure that carriers maintain equipment in compliance with Commission rules and verify that property is recorded in proper accounts. Finally, I hope the Joint Conference can serve as a vehicle for jumpstarting discussion with other agencies at the state and federal level with interest in the soundness of regulatory accounting and reporting requirements. Such discussion could help inform the recommendations of the Joint Conference to the Commission.

I commend my state and federal colleagues on the Joint Conference for their extraordinary effort. I commend them for their commitment to thinking through the thorny issues of our accounts, subaccounts, separate affiliate rules and reporting requirements. This group tackled issues as complex as they come. They are devoted to ensuring we craft an accounting regime that will best serve the public interest. We all benefit from their contributions and hard work. I also wish to commend the leadership of our Chairman, FCC Commissioner Martin. Commissioner Martin has encouraged the Joint Conference to act expeditiously on the specific accounting rules before us and also to look more broadly at what needs to be done so that our accounting rules are up to the needs and the high standards of corporate governance that the American people have a right to expect in light of events over the past few years.